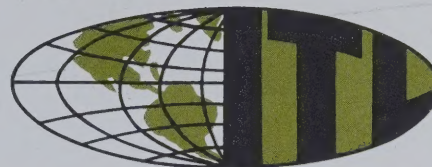
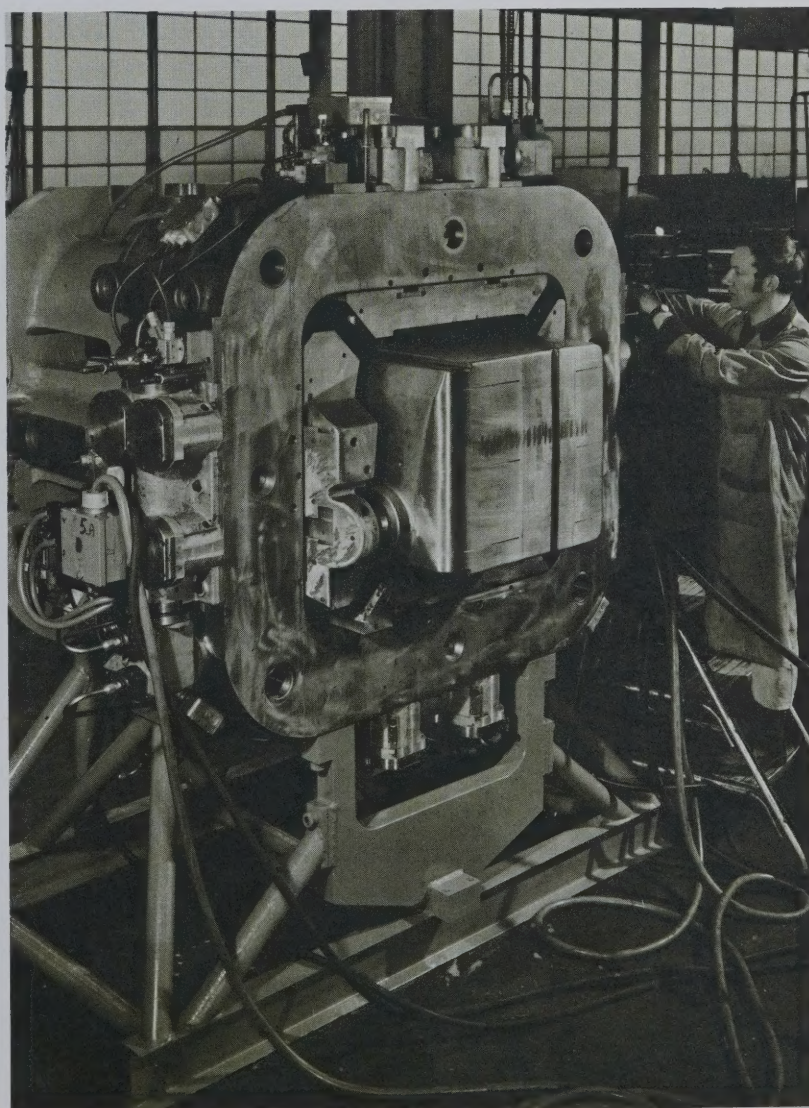


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I.T.L. INDUSTRIES LIMITED

ANNUAL
REPORT
1968



The
Changing
Faces
of
I.T.L. Industries

CORPORATE DIRECTORY

DIRECTORS

C. A. Bell, Q.C.

J. S. Gairdner

J. H. Hawke

Peter Hedgewick

R. W. Keeley, K.S.G., K.M.

Donald MacEachern

Herbert Young

OFFICERS

President.....Peter Hedgewick

Vice President.....J. H. Hawke

Vice President (Administration).....M. L. Garland

Vice President (Sales).....A. Hyatt

Vice President (Engineering).....R. D. Balint

Vice President (Manufacturing).....N. Lewchuk

Vice President (Finance) and Treasurer.....R. W. Braithwaite

Secretary.....C. A. Bell, Q.C.

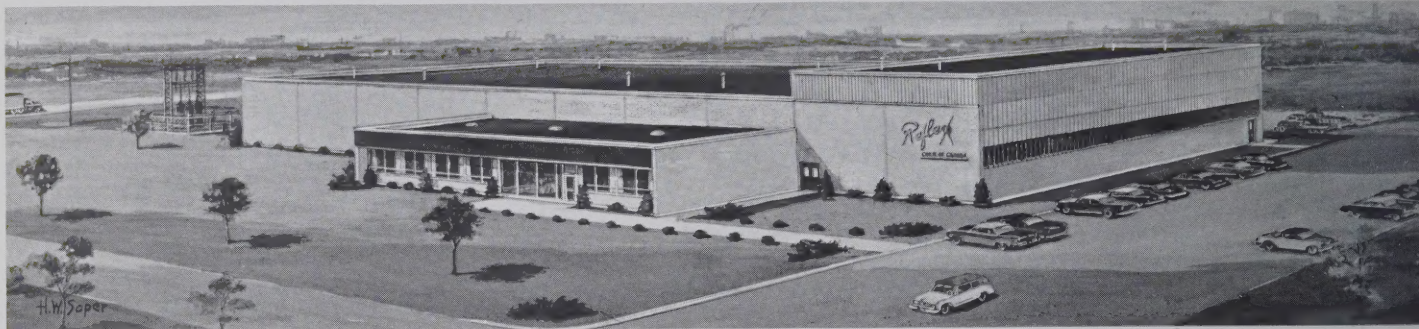
AUDITORS

Stephens, McLean & Co.....Windsor, Ontario

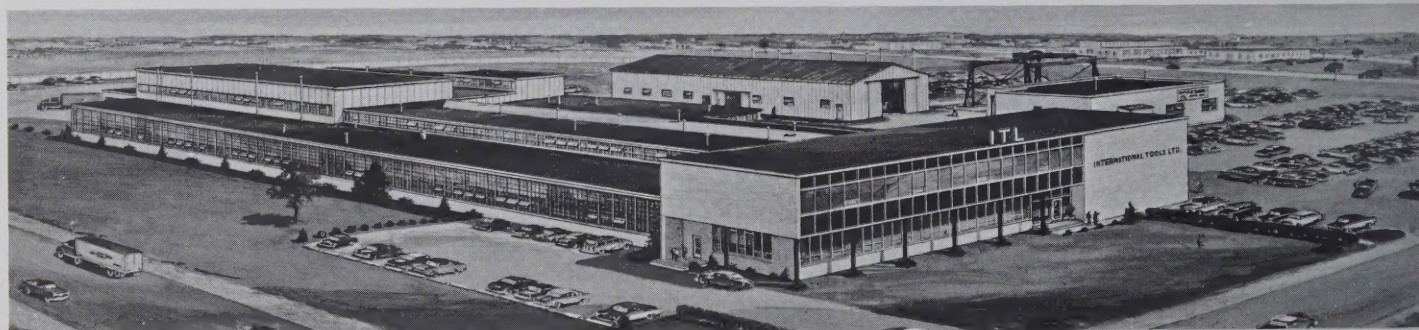
TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited.....Montreal, Toronto, Winnipeg,
Calgary, Vancouver

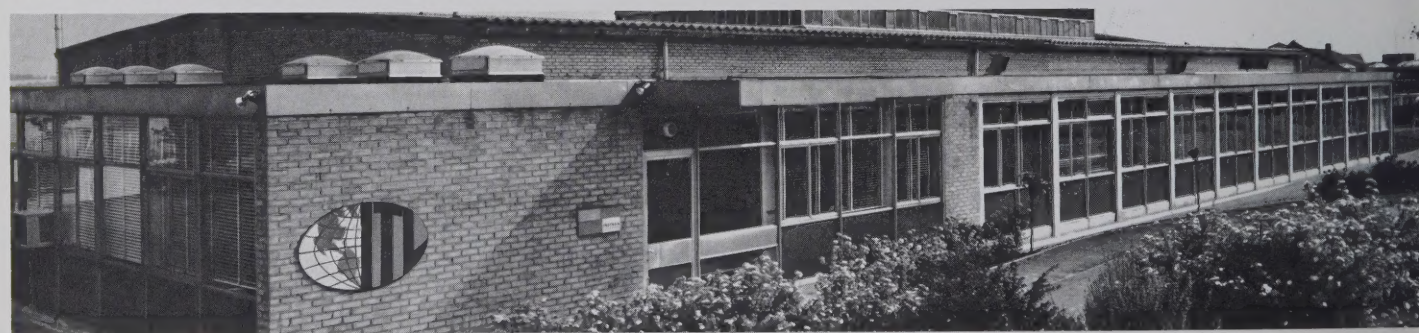
I.T.L. INDUSTRIES LIMITED



Reflex Corporation of Canada Limited—Amherstburg, Ontario, Canada



International Tools Limited—Windsor, Ontario, Canada

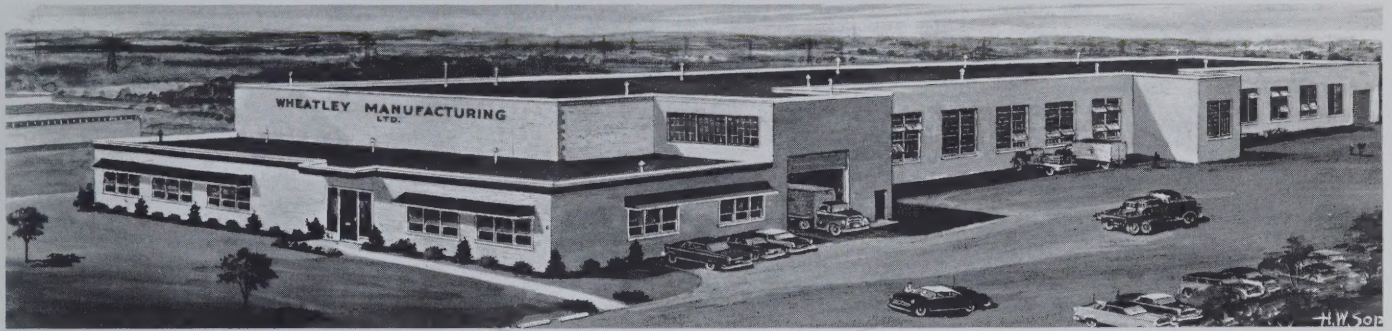


International Tools (U.K.) Limited—High Wycombe, Buckinghamshire, England

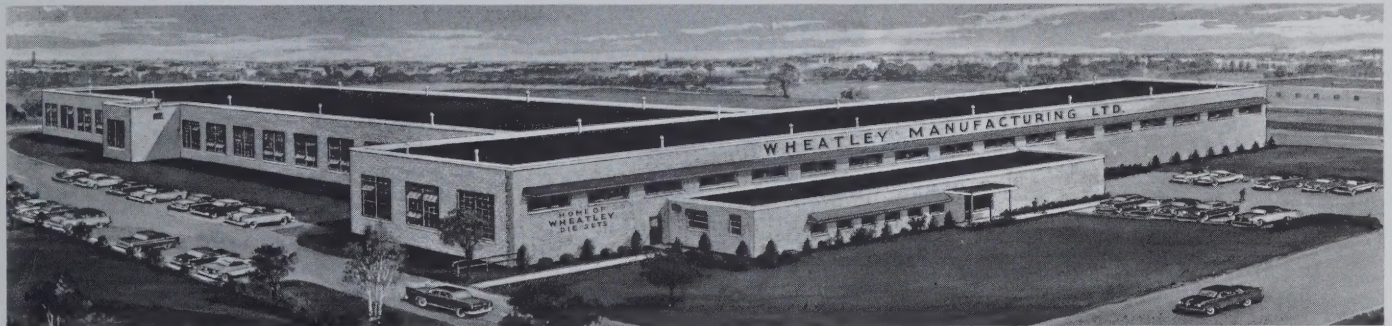


Ray-O-Lite, Inc.—Huntington Beach, California, U.S.A.

HEAD OFFICE—WINDSOR, CANADA



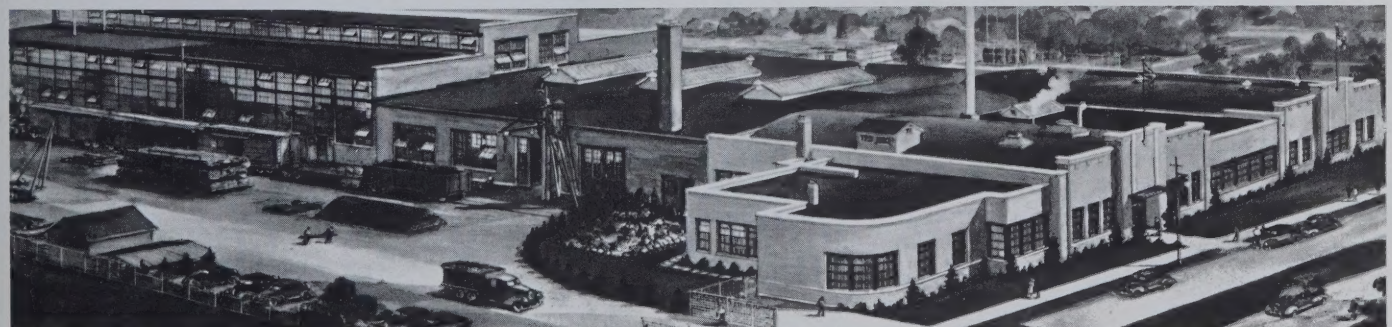
Wheatley Manufacturing Ltd.—Rexdale, Ontario, Canada



Wheatley Manufacturing Ltd.—Windsor, Ontario, Canada



Photometric Specialties Limited—Windsor, Ontario, Canada



Elco-Wood Industries Limited—Windsor, Ontario, Canada

FIVE YEAR REVIEW

(Adjusted to reflect three-for-one stock split in 1967)

	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u> (11 months)
Sales.....	\$14,345,773	\$8,237,673	\$6,316,411	\$5,760,487	\$4,548,842
Profit Before Taxes.....	1,862,552	1,232,085	1,040,036	1,027,885	937,907
Income Tax.....	709,877	601,543	359,144	360,962	454,375
Net Profit, After Tax.....	1,152,675	630,542	680,892	666,923	483,532
Net Profit Per Share, After Payment of Preferred Dividends.....	70¢	37¢	45¢	44¢	33¢
Preferred Dividends Paid.....	99,848	79,434	80,657	81,250	49,000
Common Dividends Paid.....	298,289	242,608	220,000	187,000	88,000
Preference Shares Outstanding, Series A.....	47,000	48,000	49,000	50,000	50,000
Preference Shares Outstanding, Series B.....	80,000
Common Shares Outstanding.....	1,500,606	1,483,122	1,320,000	1,320,000	1,320,000
Working Capital.....	3,467,540	2,005,344	1,329,932	1,088,184	1,631,920
Shareholders' Equity.....	6,386,822	4,188,873	3,051,742	3,011,635	2,612,962

REPORT TO THE SHAREHOLDERS



Peter Hedgewick, President

The activities of the past year have culminated in year-end results that reflect both operational growth and record financial increases.

Consolidated sales for the year ended November 30, 1968 amounted to \$14,345,773 the highest level of sales we have attained in our history and 74 per cent higher than the previous year's sales of \$8,237,673. Sales increases during the year were mainly attributable to the acquisition of a subsidiary and to recent growth in the plastic content of automobiles which has increased the demand for moulded plastic automotive parts and components.

Net income, after taxes, amounted to a record \$1,152,675 which is an increase of 83 per cent over the prior year's \$630,542. After giving effect to the issuance during the year of 17,484 common shares on conversion of debentures, and after payment of preference share dividends, earnings per share were 70 cents compared to 37 cents on a reduced number of shares a year earlier.

During the year the Company issued and privately placed 80,000 Preference Shares, Series B, having a par value of \$25 per share. Additional financing also included the issuance of \$2,000,000 secured debentures Series C, 8.50%, due June 15, 1988 and warrants attached with respect 15,000 common shares. A total of 1,000 Preference Shares, Series A were purchased for redemption during 1968 for a cash consideration of \$21,642.

Dividends paid on common shares amounted to \$298,289, on preference A shares \$77,448, and on preference B shares \$22,400, the latter being an initial dividend on a partial first quarter. The effective annual dividend rate on common shares amounts to 20 cents per share.

Net income taxes which, in the prior year, amounted to 49 per cent of pre-tax earnings, were \$709,877 or 38 per cent for the year ended November 30, 1968.

Acquisitions during the year included Wheatley Manufacturing Limited and Wheatley Economy Die Sets Inc. We are encouraged by the results of the Wheatley Companies during the initial period and anticipate greater contributions to earnings by these newly-acquired subsidiaries.

The establishment of Ray-O-Lite Incorporated, in which I.T.L. holds a 75 per cent interest, was announced in May. Ray-O-Lite is engaged in the production and supply of reflective roadway markers in the State of California and other U.S. locations.

Late in 1968, we acquired Phil Wood Industries, a well known Windsor builder of truck bodies and assemblies, and subsequently entered into an agreement with the principals of Elcombe Engineering to develop and manage the two enterprises under the combined corporate name of Elco-Wood Industries.

During the year, the company exchanged its equity interest in Med-A-Safe, Inc. (23 per cent) for common shares of Hayes-Albion Corporation, Jackson, Michigan. Hayes-Albion acquired exclusive license to manufacture and sell Palm-N-Turn safety vials in the United States, under a system of revised royalties.

The Company was associated with a United States manufacturer in a joint venture, Reflex Corporation of America. During the year, this venture was terminated and our investment of \$25,000 was eliminated. Subsequent to our year end, Reflex Corporation of America ceased to do business and its assets were acquired by Reflex Corporation of Canada Ltd.

A number of research and development projects were undertaken during the year with promising results for immediate and long term applications. In addition, an ambitious program of plant expansion was carried out to provide for a much needed increase in production and storage facilities.

Four basic components of corporate growth were strongly evident in I.T.L.'s activities during 1968—major acquisitions, expansion of markets and physical capacities, innovation through practical research and management depth.

Among the top and middle management of the I.T.L. group of companies are a team of capable, experienced and professional executives whose proven abilities and business judgement are directed toward the continuing growth and prosperity of I.T.L. Industries Limited.

We wish to acknowledge with thanks the loyalty and efforts of over 800 employees whose participation is vital to our future growth and health.

On behalf of the Board of Directors,

April 4, 1969

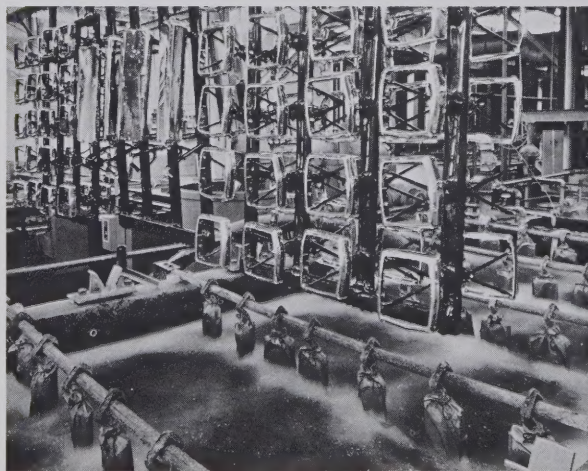
PETER HEDGEWICK
President

OPERATIONS

REFLEX CORPORATION OF CANADA LIMITED

The performance of Reflex Corporation in 1968 was most noteworthy, with sales and earnings up dramatically. Now in its third year of incorporation, Reflex began its operation as a producer of moulded plastic automotive parts. Before too long, it included assembly operations in its expanding facilities and has recently added a complete range of finishing operations to round out its services to customers. A recently completed 16,000 square foot addition to its Amherstburg plant is currently being utilized to capacity in order to accommodate its expanding business, and further expansion of facilities is being planned.

Two new finishing processes were installed by the company during the year under review. One, a system of chrome plating on plastics, allows the adhesion of nickel-chrome finishes to plastic surfaces for greater durability and decorative styling effects, particularly in the application of chromium finishes to exterior components of automobile bodies. The other, a vacuum metalizing or aluminizing process, known as artificial chrome, has the appearance of chrome but is more suited to the production of interior components. These two processes, along with complete painting facilities, have allowed Reflex to enter the rapidly expanding field of decorative plastics.



Chrome plating on plastics at Reflex showing electrical nickel application, the 16th of 38 steps in the process.

Although plastic automotive parts have accounted for the bulk of its business, the company's newer products, such as Palm-N-Turn safety containers for prescription medicines, are contributing to profits on an increasing basis each year. We are extremely gratified by the rapidly expanding popularity of Palm-N-Turn as reflected in substantially increased sales of this product during the past year. Initial refinements to production methods have now been completed to our satisfaction and we look forward to increased profitability from this unique product.



"Palm-N-Turn" child-resistant safety containers for prescription medicines have been shown to greatly reduce accidental poisoning among children in areas where "Palm-N-Turn" is used exclusively.

Licenses to manufacture Ray-O-Lite reflective roadway markers, originally developed and manufactured by Reflex, were awarded to Ray-O-Lite, Inc., a newly formed California-based company, and to Dorman & Smith Limited, a manufacturing firm located in the U.K.

Reflex has benefited and will continue to benefit from market openings created by the Automotive Trade Pact with the United States.

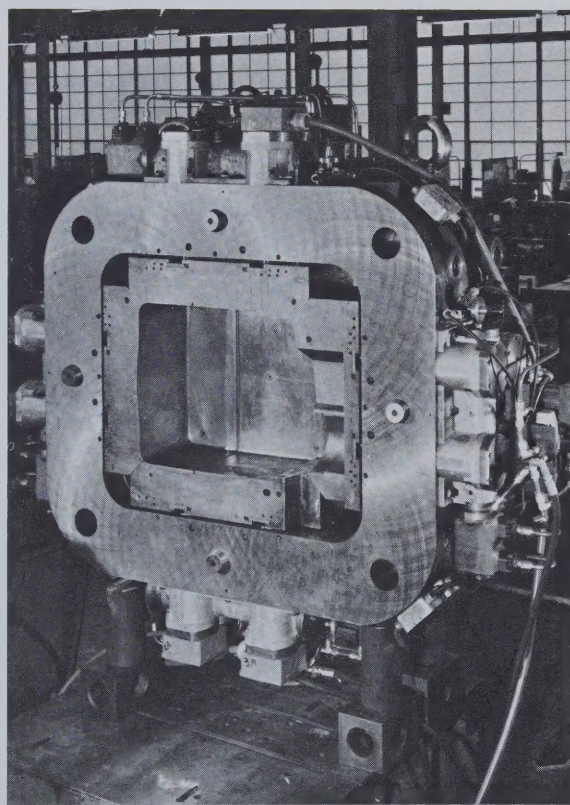
INTERNATIONAL TOOLS, LIMITED

I.T.L.'s oldest operating subsidiary, established in 1945, International Tools, Limited continues to be a leader in the production of steel moulds for plastic components for the automotive and other industries. One of the largest producers in this specialized field, the company has consistently adhered to the highest standards of precision workmanship and quality production.

The sharply increasing use of plastic materials in the automotive industry virtually assures the continuing growth of International Tools. According to recent statistics, the amount of plastic in automobiles is expected to increase from an average of 72 pounds per automobile in 1969 models to over 100 pounds per automobile one year later. All indications point to an ever increasing proportion of plastic components in automobiles and other products in future years.

Annual design changes to many of the plastic components of automobiles create a demand for new moulds on a yearly basis, and this custom has become an important factor in the continuing growth of International Tools, Limited.

A recently negotiated three-year wage contract with employees has created an excellent labour—management relationship which we believe will result in greater efficiency and higher productivity for the coming year.



International Tools' 27 ton experimental mould currently being developed for a major manufacturer. One of the company's major research and development projects, the mould utilizes both new design principles and new materials (see also cover photo).

INTERNATIONAL TOOLS (U.K.) LIMITED

Our subsidiary in the United Kingdom parallels its operations and production along the lines of International Tools, Limited and is very active in the manufacture of steel moulds for plastic components for the British automotive industry. The company moved its facilities into a larger plant last

May, and in the last six months of the fiscal year has tripled its capacity and doubled its volume.

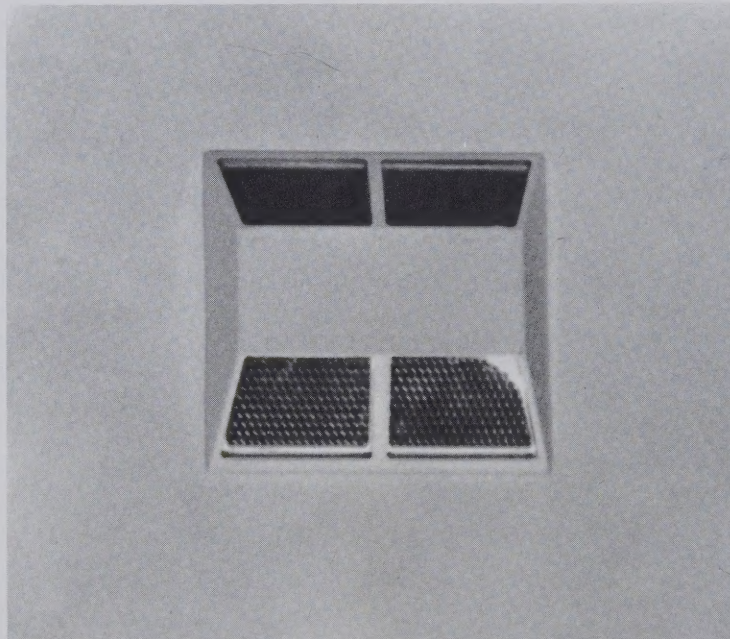
With the increasing trend toward more frequent model changes in British-made automobiles, it is expected that the company's volume of business will continue to expand in coming years.

RAY-O-LITE INCORPORATED

A new company, Ray-O-Lite Incorporated, to supply reflective pavement markers for highways in several southern and south-western parts of the United States, was incorporated last May. Production began in July, allowing ample time to build up inventories to meet the start of the active selling season in the spring. I.T.L. holds a 75% interest in the company, which manufactures pavement markers under license from Reflex Corporation of Canada Limited.

Ray-O-Lite pavement reflectors are plastic re-

flective lenses that are cemented to paved roadway surfaces with newly developed epoxy adhesives to mark centre lines, shoulders and rights of way, replacing the traditional painted line. We have also established Ray-O-Lite International Corporation located in Michigan, which supplies tools for highway safety products to Ray-O-Lite, Inc., as well as to other manufacturers. The company also sells finished roadway markers, side markers, highway delineators and other products.



Ray-O-Lite reflective roadway markers are used to mark centre lines, shoulders and rights of way, replacing the traditional painted line.

WHEATLEY MANUFACTURING LIMITED

Acquired during the first six months of 1968, Wheatley Manufacturing Limited manufactures and supplies die sets and steel plates to the toolmaking trade and manufacturing industries. The company holds patent rights for quality die sets, and its trade names are well known.

Wheatley currently supplies die sets to approximately 75 per cent of the Canadian market and plans are now underway to increase sales by further expanding into the American market. Additional

machinery and sales staff have been acquired to increase capacity.

Price increases were put into effect late in the fiscal year and it is expected that their reflection in fiscal 1969 should result in increased profitability.

In addition to its main Windsor plant, the company also maintains a branch plant and warehouse in Toronto as well as a warehouse and sales office in Montreal and Detroit.

MODELRAFT DIVISION

The Modelcraft Division of I.T.L. Industries Limited creates initial designs and precision models in wood, plastic and metal prototypes for International Tools, Limited and other manufacturers. All work performed in the Modelcraft Division is hand done by skilled craftsmen using highly intricate precision equipment. Production is therefore limited by the number of specially trained people available

for this precise and skillful workmanship. Through an internal apprenticeship program, additional personnel are being trained in this art.

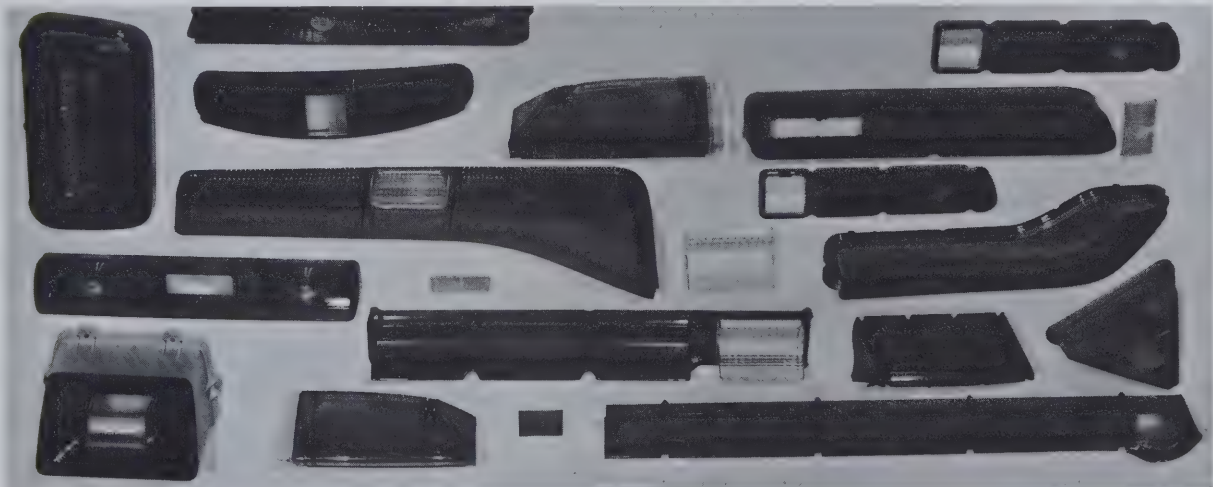
One of the smallest divisions of I.T.L., both in terms of size and contributions to profit, Modelcraft provides the most important first link in our manufacturing chain.

PHOTOMETRIC SPECIALITIES LIMITED

Specializing in the design and tooling for optical lenses for the automotive, photographic and marine industries, Photometric Specialities has just completed its first year of operation, having previously been under the auspices of International Tools. This company is operating from a newly constructed building completely equipped with modern precision machines and very specialized optical cutting equipment. It is staffed by precision toolmakers and maintains its own engineering and sales forces. The tools produced by Photometric are used in the

manufacture of reflective tail-lamps, cameras, automotive side markers and roadway reflectors. All lenses produced from Photometric moulds must be optically perfect and where applicable must meet the high safety standards set by the Society of Automotive Engineers.

Photometric Specialities has completed an active year supplying optical lense tooling to the prime suppliers of the automotive industry and to other manufacturers.



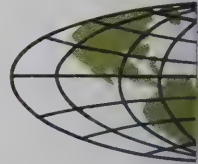
Photometric moulds are used in the manufacture of a wide range of automotive lenses.

ELCO-WOOD INDUSTRIES LIMITED

In September 1968, I.T.L. purchased all the outstanding shares of Phil Wood Industries Limited, a long established company in the hydraulic and truck body business. Phil Wood Industries subsequently merged with Elcombe Engineering Limited, manu-

facturers of hoists, winches, power gates and other related products, to form Elco-Wood. Combined facilities of the merged companies are expected to result in increased productivity and plans are already underway to expand its product lines.

CONSOLIDATED BALANCE SHEET



I.T.L. INDUSTRIES
and its subsidiaries

ASSETS

Current:	1968	1967
Cash.....	\$ 7,434	\$ —
Accounts receivable.....	3,215,250	2,213,783
Mortgage receivable—6%.....	—	1,216
Inventories of materials, work in progress and finished goods (Note 2).....	2,107,634	1,427,958
Prepaid expenses.....	82,031	38,222
Deferred development costs.....	57,066	—
Total Current Assets.....	<u>5,469,415</u>	<u>3,681,179</u>
Federal refundable tax.....	38,026	39,798
Investment in and advances to unconsolidated subsidiaries, at cost.....	602,515	—
Investment in associated company, at cost.....	59,100	25,000
Fixed:		
Land, buildings, machinery and equipment (Note 3).....	7,806,800	4,812,106
Less: Accumulated depreciation.....	2,358,353	1,206,078
	<u>5,448,447</u>	<u>3,606,028</u>
Sundry deposits.....	—	31,096
Other:		
Organization expense.....	13,573	12,295
Expenses of debenture issue, less amount written off.....	147,066	106,119
Expenses of share issue.....	163,786	114,738
Patents, at cost.....	83,732	32,785
	<u>408,157</u>	<u>265,937</u>
Excess of cost of shares of subsidiaries over net book value of assets acquired....	<u>1,016,040</u>	<u>126,170</u>

Approved on behalf of the Board:

Peter Hedgewick, Director

C. A. Bell, Director

\$13,041,700 \$ 7,775,208



As at November 30, 1968 (with comparative figures for 1967)

IES LIMITED
subsidiaries

LIABILITIES

Current:	1968	1967
Bank loans and overdrafts, secured (Note 6).....	\$ 229,000	\$ 271,042
Accounts payable and accrued liabilities.....	1,279,217	891,162
Current portion of long term liabilities.....	274,000	110,000
Income taxes.....	138,408	395,401
Federal refundable tax.....	—	8,230
Loan payable.....	81,250	—
Total Current Liabilities.....	2,001,875	1,675,835
Long term:		
Debentures and mortgages payable (Note 7).....	4,150,500	2,020,500
Less: Current portion.....	274,000	110,000
	3,876,500	1,910,500
Total Liabilities.....	5,878,375	3,586,335
Deferred income taxes (Note 4 and 5).....	776,503	—

SHAREHOLDERS' EQUITY

Capital Stock:

Authorized—

200,000 Preference Shares with a par value of \$25 each, issuable in series, 3,000 purchased and cancelled (Note 8)

3,000,000 Common Shares without par value

Issued and fully paid—

47,000 6½% Cumulative Redeemable Preference Shares, Series "A", redeemable at par (Note 8)..... 1,175,000 1,200,000

80,000 6½% Cumulative Redeemable Convertible Preference Shares, Series "B", redeemable at par (Note 8)..... 2,000,000 —

1,500,606 Common Shares (Note 8)..... 1,961,000 1,867,000

5,136,000 3,067,000

Retained Earnings..... 1,242,604 1,117,013

Contributed Surplus..... 8,218 4,860

6,386,822 4,188,873

\$13,041,700 \$ 7,775,208

I.T.L. INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended November 30, 1968
(with comparative figures for 1967)

	1968	1967
Sales.....	\$14,345,773	\$ 8,237,673
Cost of Sales including selling, general and administrative expenses.....	11,593,130	6,524,322
Profit before the following deductions.....	2,752,643	1,713,351
Depreciation.....	513,891	296,360
Amortization of expenses of debenture issues.....	5,543	5,930
Interest on long term liabilities.....	174,744	129,072
Interest on current liabilities.....	185,413	39,404
Directors' fees and expenses.....	10,500	10,500
	890,091	481,266
Income before income taxes.....	1,862,552	1,232,085
Income taxes (Note 5)		
—current.....	\$ 975,186	601,543
—less tax credit from prior years' losses of subsidiary companies.....	265,309	709,877
Net Income.....	\$ 1,152,675	\$ 630,542

I.T.L. INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended November 30, 1968
(with comparative figures for 1967)

	1968	1967
Balance, at beginning of year.....	\$ 1,117,013	\$ 833,741
<i>Less:</i> Loss on investment in associated company.....	25,294	—
Loss on advances to and investment in Hamilton Automotive Trim Limited.....	—	25,228
Net deficit on inclusion of accounts of subsidiary not consolidated in prior year.....	65,018	—
Deferred income tax credit applicable to prior years (Note 5).....	538,635	—
	<u>628,947</u>	<u>25,228</u>
	488,066	808,513
<i>Add:</i> Net income for the year.....	1,152,675	630,542
	<u>1,640,741</u>	<u>1,439,055</u>
<i>Less:</i> Dividends paid—preference..... \$ 99,848		
—common..... 298,289	398,137	322,042
Balance, at end of year.....	<u>\$ 1,242,604</u>	<u>\$ 1,117,013</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

For the year ended November 30, 1968
(with comparative figures for 1967)

	1968	1967
Balance, at beginning of year.....	\$ 4,860	\$ 3,001
<i>Add:</i> Surplus realized on the purchase of preference shares for cancellation.....	3,358	1,859
Balance, at end of year.....	<u>\$ 8,218</u>	<u>\$ 4,860</u>

I.T.L. INDUSTRIES LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended November 30, 1968

Working Capital, at beginning of year.....	\$ 2,005,344
Funds were obtained from:	
Operations:	
Net income for the year.....	\$ 1,152,675
Charges not requiring an outlay of funds	
—Depreciation.....	513,891
—Amortization of expenses of debenture issues.....	5,543
	<u>1,672,109</u>
Proceeds from issue of Series "B" preference shares.....	2,000,000
Proceeds from issue of Series "C" debenture.....	2,000,000
Issue of common shares in conversion of 1967 Series debentures.....	94,000
Long term liability, subsidiary not consolidated in prior year.....	50,000
Long term liability, acquired company.....	332,000
Deferred income taxes, acquired company.....	253,000
Surplus realized on the purchase of preference shares for cancellation..	3,358
Federal refundable tax, net of acquired company.....	1,772
	<u>6,406,239</u>
Funds were applied to:	
Fixed assets additions, net, including fixed assets of acquired companies	2,325,214
Long term liabilities paid and due in year.....	416,000
Purchase of preference shares for cancellation.....	25,000
Expenses of share issue.....	49,048
Expenses of Series "C" debenture issue.....	46,490
Organization expense.....	1,278
Deferred patent expense.....	50,947
Investment in and advances to unconsolidated subsidiaries.....	602,515
Investment in Med-A-Safe Inc. (associated company).....	59,100
Excess of cost of shares over net book value of assets of subsidiaries acquired in year.....	889,870
Deficit, net, on inclusion of accounts of subsidiary not consolidated in prior year.....	65,018
Dividends paid.....	398,137
Current investment in associated company written off in year.....	294
Deferred income taxes.....	15,132
	<u>4,944,043</u>
Increase in working capital in year.....	1,462,196
Working Capital, at end of year.....	<u><u>\$ 3,467,540</u></u>

4. *Change in accounting procedure:*

In prior periods income taxes have been calculated on the basis of the intention to claim capital cost allowances which exceed depreciation provided in the accounts.

As at December 1, 1967 the Company adopted the deferred income tax method of accounting whereby the income tax deferments resulting from this method are credited to "deferred income taxes". This change in procedure necessitated a charge to retained earnings with respect to prior periods of \$538,635 and a net reduction in deferred income taxes in the current year of \$15,132.

5. *Income Taxes:*

As stated in note 4, income taxes have been provided for, under the deferred tax method. This resulted in a charge against the current year's income of \$975,186, from which has been deducted a credit of \$265,309 arising from the application of prior years' losses of certain subsidiaries. Additional losses of these subsidiaries available to reduce income taxes of future periods aggregate \$211,673.

The net income tax provision of \$709,877 compares with a provision of \$725,009 which would be required by the method in use in prior years.

6. *Bank loans and overdrafts:*

Bank loans are secured by a general assignment of book debts.

7. *Long term liabilities:*

(secured by first mortgages and floating charge over assets)	1968	1967
6.2% Secured Sinking Fund Debentures, Series A, maturing June 15, 1984. Sinking fund payments of \$50,000 are required annually until maturity.....	\$ 800,000	\$ 850,000
6.5% Secured Sinking Fund Debentures, Series B, maturing December 15, 1985. Sinking fund payments of \$30,000 are required annually until maturity.....	540,000	570,000
8.5% Secured Sinking Fund Debentures, Series C, dated June 15, 1968 maturing June 15, 1988. The Company may at any time after June 15, 1972 redeem before maturity all outstanding debentures on thirty days notice at 106.7% on or before June 15, 1973, decreasing .45% per annum to June 15, 1987 after which date they are redeemable at par. Sinking fund payments of \$100,000 are required annually beginning June 15, 1969 to June 15, 1988 inclusive. Share purchase warrants accompany the debentures—for details see note 9, below.....	2,000,000	—
6½% Convertible Sinking Fund Debentures 1967 Series, maturing May 1, 1987. The Company may at any time redeem before maturity all outstanding debentures on thirty days notice at 106.5% on or before May 1, 1972, decreasing .5% per annum to May 1, 1984, after which date they are redeemable at par. Sinking fund payments of \$62,500 are required annually beginning May 1, 1973. For details of conversion privilege see note 9, below.....	279,000	373,000
10% mortgage, due February 1, 1972. Principal payments of \$30,000 plus interest are required annually.....	197,500	227,500
7% mortgage, due March 23, 1971. Principal payments of \$36,000 plus interest are required annually.....	81,000	—
6% loan, due January 15, 1976, secured by second mortgage on real property of subsidiary. Principal payments of \$28,000 plus interest are required annually.....	203,000	—
7% non-cumulative debentures payable out of earnings of subsidiary.....	50,000	—
	<u>\$4,150,500</u>	<u>\$2,020,500</u>

8. Capital Stock:

Common shares—

Under the terms of the issue of the 6½% Convertible Sinking Fund Debenture 1967 Series, each \$1,000 debenture was convertible into

186 common shares on or before May 1, 1971
171 common shares on or before May 1, 1973
150 common shares on or before May 1, 1975
135 common shares on or before May 1, 1977

During the year the Company issued 17,484 common shares in conversion of \$94,000 6½% Convertible Sinking Fund Debentures 1967 Series.

The 8.5% Sinking Fund Debentures Series "C" are accompanied by Share Purchase Warrants entitling the holders thereof to purchase 15,000 common shares of the Company up to June 15, 1988 at a price varying from \$15 to \$20 per share according to the date the warrant is exercised.

66,894 common shares of the authorized 3,000,000 common shares are reserved against conversion of \$279,000 1967 Series Debentures outstanding at November 30, 1968 and the 15,000 share warrants accompanying the Series "C" Debentures.

The increase in issued and outstanding common shares, and the consideration received is as follows:

	No. of Shares	Consideration Received
November 30, 1967.....	1,483,122	\$1,867,000
Shares issued in conversion of \$94,000 1967 Series Debentures.....	17,484	94,000
November 30, 1968.....	<u>1,500,606</u>	<u>\$1,961,000</u>

Preference Shares—

The preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Series A Preference Shares require that, commencing in 1966 the Company set aside on or before the first day of March in each year the sum of \$25,000 as a purchase fund for the redemption of such shares for cancellation. At November 30, 1968 3,000 shares have been purchased and cancelled.

By supplementary letters patent dated June 14, 1968, 80,000 Series B, 6½% Cumulative Redeemable Convertible Preference Shares were authorized and subsequently issued and fully paid in the year, subject to the preferences, rights, conditions, restrictions, limitations and prohibitions attached to preference shares as a class.

The Series B Preference Shares are redeemable at par by the Company at any time after June 1, 1978 upon 30 days written notice to the holders thereof. The Series B Preference Shares are convertible to common shares at any time until June 1, 1978 on the following basis.

For each Series B Preference Share held if converted

on or before June 1, 1973 1.667 Common shares
on or before June 1, 1974 1.563 Common shares
on or before June 1, 1975 1.471 Common shares
on or before June 1, 1976 1.389 Common shares
on or before June 1, 1977 1.316 Common shares
on or before June 1, 1978 1.250 Common shares

9. Remuneration to Directors and Officers:

The aggregate direct remuneration to directors and senior officers of the Company in the year, amounted to \$160,600.

10. *Acquisition in year:*

Under an agreement dated October 4, 1968 the Company acquired all of the outstanding shares of Phil Wood Industries Limited for a consideration of \$325,000. Subsequent to acquisition the name of the company was changed to Elco-Wood Limited, and this company then entered into an agreement to acquire the outstanding capital stock of Elcombe Engineering in exchange for a 40% interest in the capital stock of Elco-Wood Limited.

11. *Commitments and Transactions:*

On February 25, 1969 the Company acquired all of the issued preferred and common shares of KNG Tool and Mould Limited of London, Ontario for a consideration of \$144,890.

Under an agreement dated December 5, 1968 the 23% interest in Med-A-Safe Inc., was sold to Hayes-Albion Corporation in exchange for 6,900 common shares of that corporation, which at the time of closing had an approximate market value of \$195,000, and other considerations.

Commitments for additions to fixed assets, not reflected in the financial statements, amounted to approximately \$525,000.

The Company is currently negotiating the sale of the Tecumseh Road properties.

AUDITORS' REPORT

To the Shareholders,
I.T.L. INDUSTRIES LIMITED.

We have examined the consolidated balance sheet of I.T.L. Industries Limited and its subsidiaries as at November 30, 1968 and the consolidated statements of income retained earnings, contributed surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements, with the notes thereto, present fairly the financial position of the companies as at November 30, 1968 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for income taxes referred to in note 4 with which we concur.

Windsor, Ontario
February 27, 1969

STEPHENS, MCLEAN & Co.,
Chartered Accountants.

THE I.T.L. GROUP OF COMPANIES

ELCO-WOOD INDUSTRIES LIMITED

857 Tecumseh Road East
Windsor, Ontario

ELCOMBE ENGINEERING LIMITED

857 Tecumseh Road East
Windsor, Ontario

I.T.L. INDUSTRIES LIMITED

P.O. Box 68,
Sandwich Postal Station
Windsor, Ontario

INTERNATIONAL TOOLS, LIMITED

P.O. Box 68,
Sandwich Postal Station
Windsor, Ontario

INTERNATIONAL TOOLS (U.K.) LIMITED

Halifax Road,
Cressex Industrial Estate
High Wycombe,
Buckinghamshire

MODEL CRAFT DIVISION OF I.T.L. INDUSTRIES LIMITED

P.O. Box 68,
Sandwich Postal Station
Windsor, Ontario

PHOTOMETRIC SPECIALITIES LIMITED

P.O. Box 68,
Sandwich Postal Station
Windsor, Ontario

RAY-O-LITE INTERNATIONAL CORPORATION

2208 Penobscot Bldg.,
Detroit, Michigan

RAY-O-LITE INCORPORATED

16102 Gothard Street
Huntington Beach, Calif

REFLEX CORPORATION OF CANADA LIMITED

P.O. Box 1180
Amherstburg, Ontario

WHEATLEY MANUFACTURING LTD.

2590 Ouellette Ave.
Windsor, Ontario

963 Martingrove Ave.
Rexdale, Ontario

747 Halpern Ave.
Dorval, Quebec

WHEATLEY ECONOMY DIE SETS INC.

1627 West Fort St.
Detroit, Michigan

